

The United States and Israel: Partnering for Prosperity

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Twenty-five years ago when Congress passed a Free Trade Agreement with Israel, it was the first of its kind. Previously, our economic and military aid to Israel had dwarfed our trade relationship.

What few realized back then is that the FTA would serve as a powerful engine for Israel's economic growth into one of America's top 20 trade partners worldwide.

At the time, many of us saw the FTA as a means to bolster Israel's efforts to break free of the Arab boycott.

I doubt any of us fathomed how successfully the FTA would serve as a platform for economic integration with Arab neighbors willing to embrace peace.

As an outgrowth of the FTA, products jointly produced between Israel and Jordan or Israel and Egypt in qualified industrial zones can be imported to the U.S. duty-free.

Officially, the U.S. still runs a trade deficit with Israel. I hope this conference will launch great ideas to close that gap.

But a strict balance of payments equation fails to measure many other benefits trade with Israel brings to the U.S., such as the vast number of Israeli patents that are being capitalized in U.S. innovations and the success of U.S. companies that use Israel as a base of operations at a crossroads of Europe, Africa and Asia.

Israel boasts one of the largest numbers of NASDAQ-listed companies based outside of North America.

This year, the U.S. joined in celebrating Israel's accession to the OECD.

This isn't to say that the U.S.-Israel trade relationship has always had a smooth road. For years Israel was branded by USTR as insufficiently protective of intellectual property rights and placed on the Priority Watch List of USTR's annual Special 301 report on international IP violations.

Over time the issue became more and more intractable despite Israel's passage of laws to protect copyrights, trademarks and patents, and its evolution into a model climate for high-tech innovation.

Israel was being unfairly criticized alongside major IP violators like China and Russia to an extent that made Israel's designation appear even more arbitrary and excessive and undercut the credibility and effectiveness of the underlying report.

I am pleased to say that under the leadership and commitment of the Obama Administration we finally tackled the issue, paving the way for Israel's conditional removal from the 301 report this past year.

I look forward to its complete removal from the list early next year.

I took a particular interest in this debate because the greatest sticking point in Israel's Special 301 listing involved generic competition in medicines. This is an issue I follow closely because of my work as a co-author of Waxman-Hatch – the legislation that served as the basis for generic drug competition in the United States.

At issue was how long brand-name drugs should be granted exclusive marketing rights in Israel to compensate for the investment made in the clinical trials necessary to obtain marketing approval.

Ultimately, the U.S. and Israel reached a resolution that achieved a careful balance to reward innovation while ensuring that Israelis will continue to have timely access to new medicines on an affordable basis.

By the way, Israel is not only the only country that has faced pressure to grant new protections to brand-name drugs at the expense of lower-cost generic alternatives.

Under the Bush Administration, USTR's citations targeting generic competition in multiple countries skyrocketed without regard to the potential public health impacts of such demands.

I look forward to continue working with USTR Ambassador Kirk to resolve more Special 301 cases related to medicines and ensure that our trade policies are consistent with the U.S. commitment to uphold the Doha Declaration on trade, intellectual property and public health.

All of the issues and programs discussed at today's conference occur in a larger context – that of the choice between war and peace in the Middle East.

There is so much promise, as exemplified by the FTA – and so many threats. So much hinges on what happens – not just for Israel but for the Palestinians.

If real peace can be achieved, there is no doubt that Palestinian standards of living – already on the rise today due to improved economic and security management – can increase dramatically. Palestinians who want a more prosperous future are hopefully seeing some tangible proof of what real peace can bring.

I've always believed that bridging the divide between Israelis and their neighbors requires this kind of pragmatism.

In 1979, when Congress considered the legislation approving U.S. economic and military aid to Egypt and Israel to bolster the Peace Accords, I offered an amendment to create the Middle East Regional Cooperation program – which is more commonly known by its acronym “MERC” - to encourage Israeli and Egyptian scientists and researchers to collaborate on projects of mutual concern.

My amendment was the result of discussions with Israeli scientists and scholars who saw an opportunity to join in collaborative research and scientific projects with mutual benefit. They envisioned a program that would allow Arabs and Israelis to work side-by-side and solve problems jointly as partners and not as rivals, regardless of political developments.

MERC started very modestly, with a budget of only about \$50,000. Today the program continues to thrive with a budget of \$5 million and receives more high quality grant applications than it is able to accept.

The program is small, but for me it crystallizes a compelling belief held by Israelis that there are willing partners in the Arab world who share their interest in a productive future. A belief that there can be fruitful cooperation and partnership and enterprise.

I will continue working for a time when a program like MERC is the norm – not the exception.

In closing, I want to draw on Israel's great successes, particularly in clean energy technology, to address some remarks to the U.S. Chamber of Commerce on energy and climate issues generally.

Nearly four decades after the first Arab oil embargo, it is time to end our involuntary financing of extremist forces, hostile to the United States, in the Middle East and elsewhere.

What Israel has done is make an affirmative choice for a clean energy future, which has spurred great innovation.

Americans can learn a lot from Israel about water and energy conservation, and the use of solar power and other energy alternatives.

The dynamism of Israeli ingenuity and technology is a very inspiring story.

A clean energy transportation infrastructure company called Better Place, which was founded in Israel, is making pioneering investments in electric vehicles.

Israel is developing a new natural gas industry.

Israel is creating a marriage of its high tech industries with its energy industries.

This has been a very difficult two years with respect to energy and climate legislation in the U.S. We passed far-reaching energy and climate legislation in the House, but it did not find favor in the Senate, even though our bill was supported by some of the most prominent CEOs in the country.

The energy and climate bill could have been a turning point. It would have provided certainty to industry, unlocked billions in private sector investment, and set the U.S. on a path to protect the environment from global warming. It would have set us firmly on the course, at long last, towards energy independence.

It would also have been a catalyst for a united international effort.

And it was a jobs bill. Millions of clean energy jobs can be created with the right policies.

The failure to pass a comprehensive energy bill is a setback for the environment. But it is also a setback for many sectors of our economy.

The utility industry must continue to struggle with the uncertainty that is deterring critical investments to modernize our energy infrastructure.

The manufacturing sector will also suffer. Without clean energy and climate legislation, we will continue to lose clean energy jobs to other nations, particularly China.

I would argue that the coal industry has also lost out. The House bill provided an unprecedented level of financial support to deploy carbon capture and storage technology, which would assure a future for coal. Absent such legislation, more and more utilities are turning to natural gas.

And I think the agriculture sector also lost. The bill would have given farmers the opportunity to generate billions of dollars in new income from carbon offsets. And without legislation, farmers face the risks of increasing droughts, heat waves, floods, and pests that will make it harder for farmers to maintain productivity.

We cannot advance our industrial leadership in clean energy technology and jobs unless we have a modern and effective energy policy.

For too long, the U.S. Chamber of Commerce has been on the opposite side of this issue.

The Chamber pulled no punches in attacking my legislation.

But wrestling each other into a stalemate is not a solution.

We need a comprehensive energy and climate policy that puts a price on carbon and harnesses market forces.

It is my hope that, in the next Congress, we can find a way to work together, on a common-sense basis, to address these issues, and move forward together.

Otherwise, we will continue to have conferences where we laud the achievements of companies in Israel and other countries who are doing things we should also be doing here at home.

On a final note, two weeks from now, this country will hold an election in which the Chamber has poured an unprecedented amount of money – tens of millions of dollars - into negative ads attacking candidates. I feel strongly about this issue. I think these practices raise important issues for our democracy and how election campaigns are run.

In particular, the Chamber has been unwilling to show accountability for the funds it has solicited for these ads. The donors have not been disclosed. Moreover, despite the Chamber's strong assertions, it has been unwilling to show conclusive evidence that money collected from foreign corporations isn't being used for political activities.

An event like this conference today is an appropriate use of contributions from Chamber members overseas. Spending such money on an election in any country would be inappropriate. In this country it would also be illegal.

I urge the Chamber to be transparent, to provide full disclosure on the contributions it is making in this election cycle.

Without proper transparency and disclosure it is hard for the Chamber to be a role model for corporate citizenship in America and around the world.

Thank you.